



HF 478 – Property Assessment Appeal Board Sunset (LSB1923HV.1)

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Fiscal Note Version – As amended by **S-3364**

Description

House File 478, as amended by **S-3364**, which strikes everything after the enacting clause, strikes the future repeal date of the Property Assessment Appeal Board (PAAB), indefinitely extending the PAAB's operations. The Bill requires the Director of the Department of Revenue (IDR) to establish, per administrative rule, preliminary education requirements for property and deputy property assessors. Evidence of completion of such requirements must be provided to prior initial license approval.

House File 478 prohibits licensed property assessors to use certain financial disclosure documents in the determination of the value of a property that is classified as both commercial and industrial, and owned and used by the property's owner. The Bill also clarifies burden-of-proof requirements for individuals claiming excessive or inadequate property valuations. Such claims must be filed on specific forms provided by the IDR. Additionally, the Bill provides for electronic recording of appeal testimony given in front of the PAAB, strikes confidentiality provisions, and requires the PAAB to adopt rules establishing requirements for notices of voluntary settlements in appeals before the Board to be served upon affected tax districts.

The Bill, as amended, also requires the Director of the IDR to study the existing system of continuing education for assessors and deputy assessors pursuant to Iowa Code chapter **441**, and if necessary, make relevant recommendations. The IDR will prepare and file a report detailing such recommendations and submit it to the chairpersons and ranking members of the House and Senate Ways and Means committees and the Legislative Services Agency by December 15, 2017.

Background

Operating under the auspices of the IDR the PAAB was established in 2005 pursuant to **House File 847** (Property Tax Assessment Changes). The legislation included a future repeal of the PAAB effective July 1, 2013, which was amended in 2013 to extend the future repeal date to July 1, 2018. In 2015, the future repeal provision was again extended to July 1, 2021. The PAAB conducts administrative hearings on contested cases to review any final action of a local board of review relating to protests of real property assessment, valuation, or the application of an equalization order.

For FY 2017, the PAAB estimates staffing and operating costs will total approximately \$906,000. Board staffing includes three board members, two attorneys, and one administrative assistant. The PAAB receives funding as a part of the General Fund appropriation to the IDR.

Assumptions

- Under current law, the PAAB would not be replaced by any other body with a similar purpose upon the repeal of the sunset date. Operating costs for PAAB are presumed to continue indefinitely.

- This estimate does not account for continued administrative costs resulting from property assessment appeals pursued through other means. It is assumed that taxpayers will not pursue all of the same property assessment appeals in the court system.
- As a result of projected salary growth and changing technological needs, it is anticipated that PAAB operating costs will increase as well. Using projections provided by Moody's Analytics of the Consumer Price Index for Urban Consumers for January 2017, it is assumed that PAAB operating costs will increase by 11.6% by FY 2022.

Fiscal Impact

No fiscal impact to the State General Fund is projected for the remainder of FY 2017, and for FY 2018 through FY 2021. Beginning in FY 2022, it is estimated that HF 478, as amended, will increase General Fund expenditures by approximately \$1.0 million annually, as shown in **Table 1** below. The expenditure increase is due to the continued operation of the PAAB beyond its current sunset date.

Table 1: Estimated General Fund Impact for HF 478 as amended by S-3364						
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Extension of PAAB						
Sunset	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000,000
Continuing Education						
Study-IDR	0	10,000 - 25,000	0	0	0	0
TOTAL	<u>\$ 0</u>	<u>\$10,000 - \$25,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,000,000</u>

In addition to the increase in General Fund expenditures resulting from the repeal of the PAAB's sunset date, the IDR estimates that it will need additional funding to staff and complete the study of existing continuing education requirements for both property and deputy property assessors. According to the IDR, such a study may cost anywhere from \$10,000 to \$25,000. House File 478, as amended, will increase General Fund expenditures by approximately \$10,000 to \$25,000 in FY 2018. This represents a one-time expenditure increase.

Sources

Department of Revenue
Legislative Services Agency

/s/ Holly M. Lyons

April 20, 2017

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.